



A STUDY ON SERVICE QUALITY AND CUSTOMER SATISFACTION IN PRIVATE SECTOR BANKS

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ABSTRACT

This study is to examine the influence of service quality dimensions on customer overall satisfaction. Nowadays all banks provide lot of core banking services to their customers to maintain customer satisfaction, loyalty towards customers and retention. This study develops an instrument of service quality and examines the relationship between perceived service quality. Hence the banks can use the results for planning their expansion and marketing strategies in Indian subcontinent. The results shows that the most important service quality practice on customer satisfaction are responsiveness. Hence this paper examines the effect of service quality determinants on the degree of customer satisfaction in private banks in India. customer satisfaction can be extremely improved by realizing the gap between the perceived and actual service quality.

INTRODUCTION:

With liberalization policies initiated by the Indian government, the private sector banks have been making investments in the country. To be successful they should understand the expectations of Indian customers. Service quality is a recent and more dynamic decisive issue in the marketing thought. It also helps control the competitive position and consequently determines the market share and profits. As the customers' needs and wishes are shaped and formed in the light of their economic, social and civilization conditions, there is a close relationship between the banks' ability to continue and survive and their ability to produce services that fit in with the increasing and changing needs of the customers. Hence, service organizations, especially banks, work hard to find effective ways to counter external changes in order to survive and they enhance their effectiveness by means of activating. Therefore the ability of banks to continue and survive in the market depends on their ability to respond to the requirements of change and interact with the output of it. As the customers' needs and wishes are shaped and formed in the light of their economic, social and civilization conditions, there is a close relation between the banks' ability to continue and survive and their ability to produce services that fit in with the increasing and changing needs of the customers.

LITERATURE REVIEW:

Service Quality:

Bahia and Nantel (2000) conducted a research to develop a valid measurement of perceived service quality in the Retail Banking sector in Canada. They argued that the SERVQUAL approach had not except from critics; therefore, they developed a new measurement for perceived service quality in Retail Banking. They proposed a scale that was called Bank Service Quality (BSQ). It comprised 31 items classified across six dimensions as: effectiveness and assurance, access, price, tangibles, range of services offered and accuracy and reliability.

Michael (2002) defined service as a set of characteristics and overall properties of the service which aimed to satisfy the clients and meet their needs.

Kotler (2003) defined service as any behavior or act based on a contact between two parties: the provider and the receiver and the essence of this reciprocal process in intangible.

Huseyin (2005) believed that good knowledge of the characteristics and advantages of service quality on the part of banks did contribute for their success and their persistence in the international banking competitive environment. Thus, the quality of banking service was an integrative assessment of the services offered to the external client, for clients were considered to be independent individuals with various requirements on the basis of which services were provided, based on certain specification.

Karatepe (2005) demonstrated that the customers of retail banks with favourable perceptions of service quality had higher satisfaction.

Al-Hawari and Ward (2006) on banking sector and argued that "...the positive effects exerted by e-service quality on customers' satisfaction while these effects increase the bank's benefits". Although there were empirical studies, which demonstrated that customer satisfaction completely, mediated the relationship of service quality and loyalty.

Customer Satisfaction:

Levesque and McDougall (1996) concluded that competitive interest rate was one of the important determinants of customer satisfaction in retail banking sector. They found that a good "employee -customer" relationship can increase the satisfaction level. They pointed out that problem-recovery was important to maintain the customer satisfaction. However, the results did not confirm that satisfactory problem-recovery can increase satisfaction. Finally, they concluded that competitiveness and convenience of the banks were the two important determinants of customer satisfaction.

Oliver (1997) defined satisfaction as "the consumer's fulfillment response", a post consumption judgment by the consumer that a service provided a pleasing level of consumption-related fulfillment, including under or over-fulfillment. Huang (1998) also defined five factors used to evaluate customer satisfaction: product, service, staff, overall performance of products and closeness to expectation. Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compared their pre-purchase expectations with post purchase perception.

Devlin (2001) pointed out that "customers perceive very little difference in the services offered by retail banks and any new offering is quickly matched by competitors." Jamal and Naser (2003) found that relational and core features of bank's quality of service appeared to be linked to customer satisfaction. The perspective proposes that satisfied customers made favorable quality judgments about services, because such customers' judge things in higher quality due to positive affect they have experienced (Gilbert, et. al., 2004).

Karatepe (2005) demonstrated that the customers of retail banks with favorable perceptions of service quality had higher satisfaction. Arasli, et. al., (2005) pointed out that reliability dimension of SERVQUAL had the highest impact on customer satisfaction in Greek Cypriot banking industry, whereas reliability was not related to customer satisfaction, found by Chaniotakis and Lymperopoulos (2009). Although there are empirical studies which demonstrated that customer satisfaction completely mediates the relationship of service quality and loyalty.

Awwad (2006) noted that there was a set of dimensions that influenced customers' satisfaction such as care, credibility, assurance and security. The more credibility customers had in the service and its speed and accuracy, the more satisfied they would get.

Mengi (2009) found that responsiveness and assurance were important factor for customer satisfaction whereas, Kumar, et. al., (2010) found that assurance, empathy and tangibles were the important factor and on the other hand Ahmed, et. al., (2010) found out that empathy was negatively related to customer satisfaction.

Mohammad and Alhamadani (2011) found that tangibles, reliability, responsiveness, assurance and empathy had significant influence on customer satisfaction and also concluded that the service quality was an important antecedent of customer satisfaction.

MODEL AND HYPOTHESIS:

The model and hypothesis for the present study is as follows:

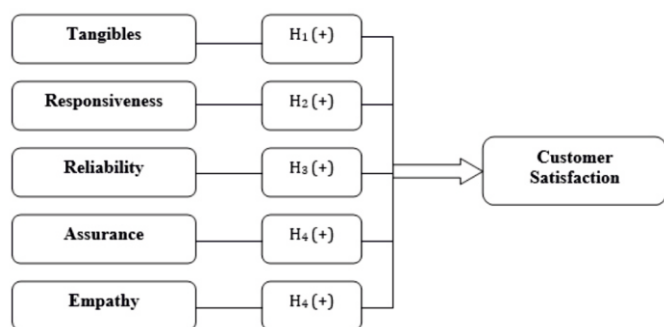


Figure 1: Research Model for Service Quality and Customer Satisfaction

The hypotheses are:

H₁ : There is a positive correlation between tangibles and customer satisfaction in private sector banks in Chennai.

H₂ : There is a positive correlation between responsiveness and customer satisfaction in private sector banks in Chennai.

H₃ : There is a positive correlation between reliability and customer satisfaction in private sector banks in Chennai.

H₄ : There is a positive correlation between assurance and customer satisfaction in private sector banks in Chennai.

H₅ : There is a positive correlation between empathy and customer satisfaction in private sector banks in Chennai.

METHODOLOGY:

This study is conducted in private banks such as AXIS bank, HDFC bank and ICICI bank with 150 customers in Chennai city. Multi stage random sampling technique is used. Questionnaire is based on 5 point likert scale with 5 dimensions namely reliability, responsiveness, tangibility, assurance and empathy. Correlation analysis and multiple regression is used to measure overall customer satisfaction.

RESEARCH IMPLICATIONS:

This is to examine the influence of service quality dimensions on customer overall satisfaction. This study posits and develops an instrument of service quality and examines the relationship between perceived service quality dimensions and customer overall satisfaction. The research model proposed in the study postulates that service quality dimensions influence on overall customer satisfaction directly. The model also postulates that service quality has a positive relationship with overall customer satisfaction and tested them through Correlation Analysis and Multiple Regression to find their significance in the hypotheses. Thus, this present research concluded that service quality is the basic and also most important factor that influences the overall customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the underlying dimensions of service quality especially on responsiveness and should improve service quality for higher customer satisfaction.

Responsiveness and should start with improving service quality in order to raise overall customer satisfaction.

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